THE Wool SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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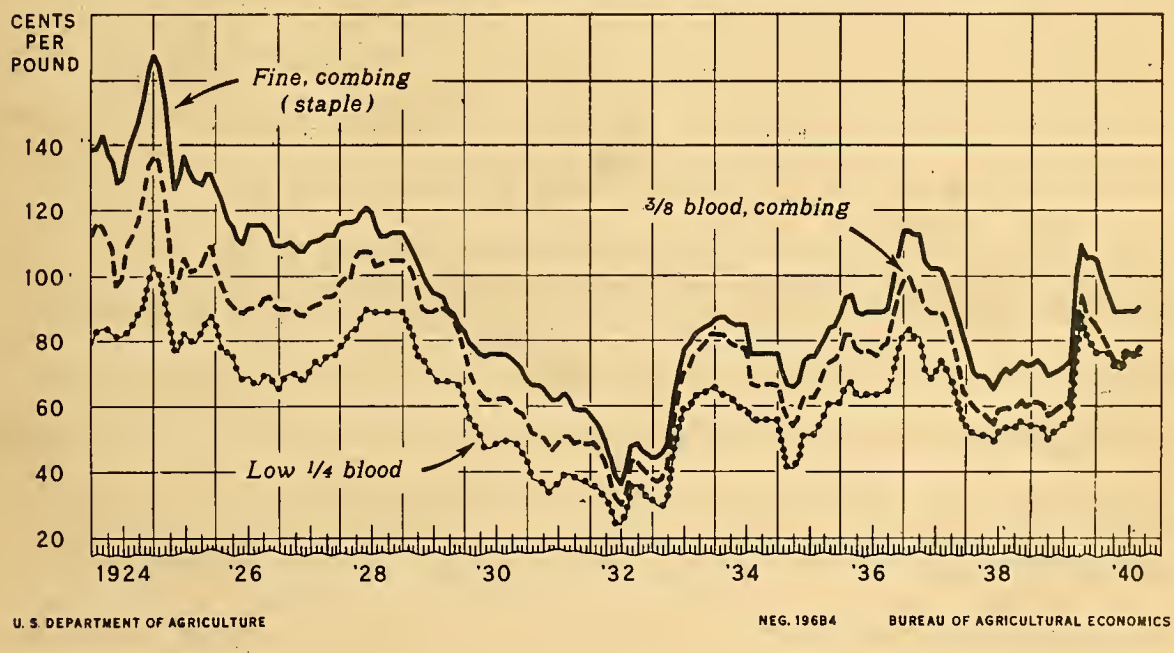
WOOL, TERRITORY, SCOURED BASIS: AVERAGE PRICES AT BOSTON, 1924-40



U. S. DEPARTMENT OF AGRICULTURE NEG. 196B4 BUREAU OF AGRICULTURAL ECONOMICS

DOMESTIC WOOL PRICES HAVE RISEN MODERATELY SINCE APRIL. THE ADVANCE HAS REFLECTED LARGELY THE INCREASED MILL DEMAND FOR WOOL TO FILL GOVERNMENT CONTRACTS FOR MATERIALS FOR MILITARY USE. WITH IMPORTS OF WOOL ENTERING THE UNITED STATES IN RELATIVELY LARGE QUANTITIES, PRICES OF WOOL IN THE UNITED STATES DURING THE NEXT SEVERAL MONTHS WILL DEPEND TO A CONSIDERABLE EXTENT ON THE PRICES PAID FOR IMPORTED WOOLS.

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THE WOOL SITUATION

Summary

Increased buying of raw wool to fill Government contracts and an improvement in mill sales of wool goods for civilian uses in the latter part of September were accompanied by price advances on most grades of domestic wool at Boston. Mill consumption in the United States is expected to continue at a relatively high level in the next several months and this will be a strengthening influence on domestic wool prices.

With the opening of the 1940-41 season in South American wool markets in late September relatively large quantities of apparel wool are now becoming available to United States buyers. Production in South America, however, is chiefly medium and coarse wools. Because of the large use of the finer grades of domestic wool in materials for Army use in the United States, apparel wool import requirements in the current season may be chiefly for the finer grades. Australia and South Africa are the leading fine wool-producing countries, although a considerable quantity of fine wool is available in South America. Hence, the quantities of Australian and South African wool released for export and the prices fixed for such wools by the British Government will be important factors affecting prices of fine wools in this country in the next several months. It now seems probable that considerable quantities of Australian and South African wool will be available for export to the United States.

Mill consumption of apparel wool in the United States in August continued the improvement which began in May. The August rate of consumption was 9 percent higher than in July and was slightly higher than in August last year. Consumption on a scoured basis in the first 8 months of the year was 6 percent smaller than in the same months last year.

United States imports of apparel wool for consumption totaled 118 million pounds in the first 8 months of this year. The January-August imports were much larger than imports for the same months of any recent year, except 1937 when 134 million pounds were imported.

The supply of wool in all positions in the United States on September 1 is estimated at about 450 million pounds, grease basis. While the estimated supply is somewhat larger than stocks held at the same date a year earlier, the supply is small in relation to probable domestic consumption during the next several months. It is expected that imports this fall and winter will be larger than a year earlier.

October 11, 1940

REVIEW OF RECENT DEVELOPMENTS

Boston wool market

Sales of wool increased sharply in the Boston market in the latter part of September, and the increase in sales was accompanied by price advances on most grades of wool. The buying in September was partly to cover requirements for Government contracts but increased interest in foreign wools indicated that buying was also stimulated by new business in goods for civilian trade, according to reports of the Agricultural Marketing Service.

Boston quotations on graded fine combing (staple) territory wool averaged 97 cents a pound, scoured basis, in the first week of October compared with 90 cents a pound a month earlier and 111 cents a year earlier, when prices were close to the highest level of the year. Quotations for combing 3/8 blood territory wool averaged 84 cents a pound, scoured basis, in the first week of October and 78 cents a month earlier. Country packed lots of 3/8 and 1/4 blood bright fleece wools sold at 42 cents a pound, grease basis, early in October, this was an increase of 3 cents a pound over prices of early September. In the first week of October 1939 similar wools of the 1939 clip sold at 48 cents a pound, grease basis.

The United States average price of wool received by farmers was 28 cents a pound on September 15. It was 27.3 cents on August 15 and 24.3 cents on September 15, 1939.

Apparel wool imports continue large in August

Apparel wool imports for consumption 1/ totaled 9.9 million pounds in August compared with 9.8 million pounds in July and 4.6 million pounds

1/ Wool entered for immediate consumption plus wool withdrawn from bonded warehouses for consumption.

in August 1939. Imports in the first 8 months of this year, totaling 118 million pounds were more than twice as large as in the same period a year earlier and were larger than imports for the same months of any recent year, except 1937 when 134 million pounds were imported. Imports of carpet wool in the first 8 months of this year totaled 94 million pounds compared with 97 million pounds in the same months of 1939 and a 5-year (1934-38) average for those months of 82 million pounds.

Mill consumption increases further in August

Mill consumption of apparel wool in August continued the improvement which began in May. The weekly average rate of consumption for August was 9 percent greater than in July and was slightly greater than in August last year. The increase in consumption from July to August this year was somewhat smaller than the average August increase in the 5 years 1935-39. But mill consumption in July was 17 percent greater than in June, compared with an average decline of 2 percent from June to July of the last 5 years. For the first 8 months of 1940 mill consumption of apparel wool totaled 352.1 million pounds greasy shorn and greasy pulled. In the corresponding months of 1939 consumption on a grease basis totaled 395.9 million pounds. Mill consumption of carpet wool increased sharply in August but the August consumption was much smaller than in August last year.

Government will order blankets in October

The United States Army will open bids on October 9 on 2 million wool blankets. Proposals for bids specify that delivery is to be completed within 180 days after the awarding of contracts. Government specifications for Army blankets call for the use of domestic fleece or pulled wools not lower in grade than 56s to 60s inclusive. It is roughly estimated that slightly more than 20 million pounds of grease wool will be required for the blankets.

The new contracts when awarded will bring Army purchases of blankets since June 1 to about 4 million.

Foreign wool markets active in September

The 1940-41 selling season opened in South American markets in late September. United States buyers were reported to be purchasing wool of all grades from the new clip in Uruguay. In Argentina, United States buyers are reported to be contracting merino and fine crossbred wools of the new clip for delivery in November, December and January. Prices on such contracts in the latter part of September were reported to be somewhat lower than current prices for spot wools at Buenos Aires. Spot prices of South American fine wools advanced sharply in September and the early part of October.

Unsold stocks small in Uruguay at end of 1939-40 season

Unsold stocks of wool in Uruguay in mid-September were estimated at about 7 million pounds, consisting of about 3 million pounds grading 50s

and finer, 500,000 pounds grading 44s to 50s and 3.5 million pounds of low quality wools generally unsuitable for export to the United States. In addition to such unsold stocks there remained about 12 to 14 million pounds of wool contracted for by European countries and awaiting shipment. While some of this wool was reported to be moving via Portugal and Sweden, the British blockade of most countries of continental Europe makes shipment uncertain. Such wool might be available for resale if transportation to Europe fails.

Exports of wool from Uruguay in the first 11 months (October-August) of the 1939-40 season totaled 102 million pounds, compared with 123 million pounds exported in the same months of the previous season and a 5-year (1934-35 to 1938-39) average for those months of 111 million pounds. The United States took about one-third of Uruguay's wool exports in the 1939-40 season and was by far the largest single purchaser of wool in that country. Exports for recent years by countries of destination are shown in table 4.

Argentine exports and stocks, 1939-40 season

Stocks of wool in Argentina near the close of the 1939-40 season (late September), totaled about 55 million pounds according to commercial estimates. The stocks consisted largely of wools grading 50s and finer (fine crossbred and merino wools). Stocks of medium and coarse wools were relatively small. About 20 million pounds of the total remaining stocks were reported to be wasty, inferior types of wool not generally suited to export to the United States. The total also included wool sold to European countries and awaiting shipment. In view of the British blockade, shipments to Europe are uncertain.

Exports of wool from Argentina in the first 11 months (October-August) of the 1939-40 season totaled 292 million pounds, grease basis, compared with exports of 368 million pounds in the same months of the previous season and an average of 311 million pounds for those months in the 5 seasons 1934-35 through 1938-39. Exports by countries of destination are not yet available for August. In the first 10 months of the 1939-40 season the United States took about 118 million pounds of wool from Argentina, more than half of the total Argentine exports for those months. Exports to the United States from Argentina were much larger than in any recent year. Exports from Argentina by countries of destination are shown in table 4.

Outlook

BACKGROUND.- Prices of wool in this country rose sharply following the outbreak of the European war in September 1939. This rise was brought about by the prospects for a strong war demand for wool in certain foreign countries and the small stocks and relatively high mill consumption of raw wool in the United States. Imports of wool were fairly large in late 1939 and early 1940. Mill consumption was reduced after October 1939, and domestic wool prices declined moderately during the first half of 1940. However, wool prices continued substantially higher than those prevailing before September 1939.

Relatively large mill consumption expected

Mill consumption of apparel wool in the United States is expected to continue at a relatively high level in the next few months. New orders and proposals for bids for wool fabrics and blankets issued by the United States Army since August 28 are estimated to require a mill consumption of about 65 million pounds of grease wool. Contracts placed by the Army also were large in June. Rough estimates indicated that about 50 million pounds of grease wool would be necessary to fill the June orders. The sharp increase in domestic mill consumption in July and August largely reflected the preparation of wool to fill Army orders.

Commercial reports indicate that mill sales of wool fabrics for civilian wear increased sharply in September. Up to early September the volume of mill orders for civilian requirements was considerably lower than a year earlier, and it is likely that stocks of such goods in distributing channels have been reduced in recent months. With such stocks reduced, increased incomes of consumers and a larger volume of retail trade in the final quarter of 1940 may stimulate mill activity for civilian wear.

Larger imports probable

The supply of wool in all positions in the United States on September 1 is estimated at about 450 million pounds, grease basis. This estimate includes all the wool now on hand in the United States, plus the unshorn portion of the 1940 clip. As stated in the September issue of the Wool Situation current supplies of wool in the United States are somewhat larger than a year earlier but the supply is small in relation to probable domestic requirements during the next few months. If mill consumption in the remainder of the 1940 season (to April 1, 1941) is to exceed that of a year earlier by a substantial margin, as now appears probable, and if stocks at the end of March are to be fairly well maintained a larger volume of imports of apparel wool will be necessary than was imported in the same months of last year. In the period October 1939 through March 1940 imports of apparel wool totaled 103 million pounds.

Imports may be chiefly fine grades

Because of the large use of the finer grades of domestic wool in materials for Army use in the United States, apparel wool import requirements in the current season may be chiefly for the finer grades. Army orders and invitations for bids already announced are estimated to require the use of about 95 million pounds, grease weight, of fine wool, grading 56s, 58s, 60s and 64s. Only about 20 million pounds of wools grading 44s to 50s are called for in current contracts. Although 85 percent of the domestic production of raw wool is of grades 56s and finer, the domestic production is not sufficient to fill normal mill requirements for those grades. In the 3 years 1937-39 imports of wools grading finer than 56s averaged close to 50 million pounds a year and constituted about one-half of the total imports of apparel wool.

Australia and the Union of South Africa are the leading fine wool producing countries, although a considerable quantity of fine wool is available in South America. Hence the quantity of Australian and South

African wool released for export and the prices fixed for such wools by the British Government will be important factors affecting prices of fine wools in the United States in the next several months. It now seems probable that considerable quantities of Australian and South African wool will be available for export to the United States. With the opening of the 1940-41 season in South American wool markets in late September relatively large quantities of apparel wool are now becoming available to United States buyers. Production in South America, however, is chiefly medium and coarse wools.

Prices of Domestic and South American Wools, 1936-40

For a number of years the Bureau of Agricultural Economics used comparisons of prices of wool at Boston and London as a measure of changes in the relationship between prices in domestic and foreign wool markets. Since the outbreak of the European war in September 1939, prices of wool at London have not been available. South American markets are now the only important ones from which wool prices are available.

The accompanying table shows prices of wools at Boston and at Montevideo and the spread between those prices in the active selling seasons at Montevideo, 1936-40. The prices are for wool in the grease. Because the clean or scoured yield of foreign wools is generally greater than the yield of corresponding grades of domestic wool these series are not on the same basis for domestic and foreign wools. Their chief use is for a comparison of price changes in domestic and foreign markets.

Because quotations for wool in South American markets are generally available only during the active selling season, there is also included in the table a series of prices of Montevideo (Uruguayan) wool in bond, at Boston from October 1936 through September 1940. Quotations for foreign wool at Boston are generally nominal during part of each season because of the small volume of sales of such wool.

These series indicate that the changes in prices of domestic wool and changes in prices of South American wool correspond rather closely, although there may be rather wide differences in spread between prices over short periods of time. During the first 3 months of 1940 the spread was reduced and imports decreased. In recent months, however, the spread had widened and imports have increased somewhat.

Table 1.- Prices per pound, grease basis, of domestic and Uruguayan medium wools, and spread between these prices, 1936-40

Season and month	Boston 1/	Montevideo 2/	Spread	At Boston		
				Domestic 3/	Uruguayan 4/	Spread
	Cents	Cents	Cents	Cents	Cents	Cents
1936-37						
Oct.				39.2	32.5	6.7
Nov.	43.4	37.5	5.9	43.6	36.2	7.4
Dec.	48.5	38.8	9.7	48.6	38.3	10.3
Jan.	52.0	41.7	10.3	52.0	42.5	9.5
Feb.				52.0	40.0	12.0
Mar.				48.0	37.9	10.1
Apr.				48.0	38.5	9.5
May				43.5	39.5	4.0
June				43.2	39.5	3.7
July				43.5	39.5	4.0
Aug.				43.5	39.5	4.0
Sept.				43.1	38.1	5.0
1937-38						
Oct.				39.8	34.8	5.0
Nov.				35.2	29.0	6.2
Dec.	31.6	28.6	3.0	32.1	25.5	6.6
Jan.	31.0	21.4	9.6	31.4	26.2	5.2
Feb.	28.6	21.3	7.3	29.1	26.0	3.1
Mar.	26.8	19.0	7.8	27.0	25.5	1.5
Apr.	26.8	19.0	7.8	26.9	25.5	1.4
May	26.0	19.1	6.9	26.1	25.5	0.6
June	25.2	18.9	6.3	25.4	25.5	- 0.1
July	30.2	19.5	10.7	30.5	26.0	4.5
Aug.	31.2	19.5	11.7	31.2	26.5	4.7
Sept.	30.5	18.8	11.7	30.5	26.5	4.0

Continued -

Table 1.- Prices per pound, grease basis, of domestic and Uruguayan medium wools, and spread between these prices, 1936-40 - Contd.

Season and month	Boston 1/	Montevideo 2/	Spread	At Boston		
				Domestic 3/	Uruguayan 4/	Spread
	Cents	Cents	Cents	Cents	Cents	Cents
1938-39:						
Oct.	31.4	19.0	12.4	31.5	26.5	5.0
Nov.	32.4	18.8	13.6	32.8	26.5	6.3
Dec.	31.4	18.4	13.0	31.9	26.5	5.4
Jan.	31.4	18.1	13.3	31.5	26.5	5.0
Feb.	32.0	18.2	13.8	32.0	24.5	7.5
Mar.	30.6	18.2	12.4	30.7	24.5	6.2
Apr.	28.5	18.2	10.3	28.5	24.5	4.0
May	30.4	18.0	12.4	30.4	23.9	6.5
June	31.5	18.2	13.3	31.5	23.5	8.0
July	32.1	18.6	13.5	32.1	23.5	8.6
Aug.				32.5	23.5	9.0
Sept.				43.8	34.5	9.3
1939-40:						
Oct.				48.8	38.5	10.3
Nov.				47.0	37.5	9.5
Dec.	46.0	24.9	21.1	46.0	34.5	11.5
Jan.	44.6	25.3	19.3	44.5	34.3	10.2
Feb.	42.4	28.8	13.6	42.4	35.5	6.9
Mar.	38.5	29.6	8.9	38.5	35.5	3.0
Apr.				36.1	33.0	3.1
May				37.1	33.0	4.1
June				39.5	33.0	6.5
July				39.5	29.5	10.0
Aug.				39.5	28.8	10.7
Sept.				41.2	28.8	12.4

Compiled as follows: Prices of domestic wool at Boston from reports of the Agricultural Marketing Service. Prices of Uruguayan (Montevideo) wool, in bond, at Boston from The Boston Commercial Bulletin. Prices at Montevideo from Revista Semanal, Camara Mercantel de Productos del Pais - Montevideo. All prices are monthly averages of weekly range quotations.

1/ Average of domestic 3/8 and 1/4 blood combing, bright fleece wools.
2/ Uruguayan fine crossbreds, superior.
3/ Domestic 3/8 blood combing, bright fleece wools.
4/ Montevideo 1s (56s) in bond (before payment of duty).

Table 2.-Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1938-40

Market and description	Average		1939			1940	
	1938	1939	Aug.	Sept.	July	Aug.	Sept.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
United States:							
Boston market -							
Territory, scoured basis-							
64s, 70s, 80s (fine) staple	70.4	82.7	74.0	98.8	88.4	89.0	92.4
56s (3/8 blood) combing	58.9	69.3	61.0	84.9	75.4	75.4	78.5
46s (low 1/4 blood)	52.4	62.6	56.0	76.1	76.0	76.0	76.0
Bright fleece, greasy -							
64s, 70s, 80s (fine) delaine	29.0	32.9	29.5	39.5	34.4	34.8	36.0
56s (3/8 blood) combing	29.5	36.2	32.5	43.8	39.5	39.5	41.2
46s (low 1/4 blood)	28.3	35.5	32.5	43.2	41.0	41.0	41.2
Prices received by farmers, grease basis, 15th of month	19.2	22.3	22.0	24.3	27.9	27.3	28.0
Textile fibers:							
Wool, territory fine staple 1/	70.4	82.7	74.0	98.8	88.4	89.0	92.4
Cotton, 7/8" Middling 2/	8.58	9.04	8.98	8.88	10.19	9.72	9.28
Silk, Japanese 3/	170.6	272.6	264.1	299.3	254.0	252.9	256.1
Rayon yarn, 150 denier 4/	52.2	51.5	51.0	51.5	53.0	53.0	53.0
Rayon staple fiber 5/ -							
Viscose 1-1/2 denier			25.0	25.0	25.0	25.0	25.0
Acetate 5 denier			46.0	46.0	43.0	43.0	43.0
Southern Hemisphere	Between seasons - current quotations largely nominal						

Compiled from reports of the Agricultural Marketing Service except as otherwise noted.

1/ Scoured basis, Boston market.
2/ Average at 10 markets.
3/ White, 13-15 denier, at New York, Bureau of Labor Statistics.
4/ Domestic yarn, first quality, Bureau of Labor Statistics.
5/ F.o.b. producing plants, Bureau of Labor Statistics.

Table 3.-United States: Wool imports, consumption and machinery activity, selected periods, 1938-40

Item	Year 1938	Year 1939	Jan.-Aug. 1939	Jan.-Aug. 1940	Aug. 1939	July 1940	Aug. 1940
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption, actual weight 1/:							
Apparel	30,811	98,194	49,008	117,723	4,610	9,818	9,864
Finer than 40s	18,443	74,612	33,735	103,802	3,294	8,264	8,393
Not finer than 40s	12,369	23,582	15,273	13,921	1,316	1,554	1,471
Carpet, including camels hair	71,908	144,874	96,906	94,181	11,901	7,460	6,060
Mill consumption 2/:							
Grease basis 3/ -							
Apparel	474,527	630,150	395,914	352,063	54,204	61,050	53,525
Carpet	92,736	148,513	95,283	83,348	13,837	8,315	10,112
Scoured basis -							
Aggregate -							
Apparel	219,565	293,083	185,279	174,339	24,707	28,431	24,799
Carpet	64,945	103,421	66,397	60,199	9,604	6,061	7,571
Weekly average -							
Apparel	4,143	5,636	5,294	4,981	6,177	5,686	6,200
Carpet	1,225	1,989	1,897	1,720	2,401	1,212	1,893
	Weekly average in hours						
Machinery activity 2/:							
Hours operated per machine in place -							
Worsted combs	39.8	51.8	48.6	47.5	55.3	57.1	58.2
Worsted spindles	26.9	39.6	36.8	32.1	37.2	35.6	41.8
Woolen spindles	30.6	39.8	37.9	38.5	43.1	42.5	47.3
Woolen and worsted looms-							
Broad	28.1	40.7	39.4	34.2	39.7	37.2	40.8
Narrow	10.5	13.2	11.1	12.9	12.3	13.9	13.2
Carpet and rug looms -							
Broad	23.4	37.4	35.0	35.8	37.6	25.6	34.4
Narrow	15.9	22.7	22.0	20.4	21.3	15.9	22.1

Import figures from the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity from the Bureau of the Census.

1/ Weight of greasy, scoured, and skin wool added together.

2/ Figures for August based on 4 weeks, July on 5 weeks, January-August on 35 weeks. 1938 figures for 53 weeks ended December 31. No adjustments made for holidays.

3/ Total of shorn and pulled wool. Pulled wool, grease basis, is in condition received from pulleries and is mostly washed.

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Table 4.- Wool exports from Argentina and Uruguay in the 1939-40 export season, with comparisons

Country of destination	Argentina				Uruguay			
	Season (Oct.-Sept.)		Oct.-July		Season (Oct.-Sept.)		Oct.-Aug.	
	Average 1934-35 to 1938-39	1938-39	1938-39	1939-40 1/	Average 1934-35 to 1938-39	1938-39	1938-39	1939-40 1/
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
United States 2/	53.5	65.6	57.5	117.6	14.7	16.6	15.1	33.0
United Kingdom	85.0	119.5	112.3	25.8	20.5	10.8	10.4	1.4
France	48.4	57.4	53.7	34.1	7.2	6.5	6.5	1.1
Germany	49.0	44.7	44.7	3/	30.5	36.2	35.8	4.4
Belgium	20.5	22.7	22.2	11.1	10.5	18.3	17.3	3.6
Italy	19.0	7.2	5.2	18.8	13.5	16.1	15.9	13.3
Sweden	3/	3.1	2.7	8.2	2.2	5.1	2.6	15.8
Netherlands	3/	3.4	3.1	10.3	4.0	8.4	7.3	13.6
Japan	7.1	1.5	0.9	14.0	7.9	1.4	1.4	5.3
Other	25.5	32.2	29.8	18.1	4.1	10.6	10.7	10.4
Total	308.0	357.3	332.1	257.9	115.1	128.0	123.0	101.9

Compiled from Commercial reports supplied by the Buenos Aires Office of Foreign Agricultural Relations.

1/ Preliminary.

2/ Argentine figures include small quantities shipped to Canada.

3/ If any, included with "other".

Table 5.- Union of South Africa: Wool exports by principal countries of destination, average 1934-38, annual 1937-39

Country of destination	Year beginning July			
	Average 1934-35 to 1938-39	1937-38	1938-39	1939-40
	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.
United States	2,034	507	731	37,052
United Kingdom	44,373	40,435	45,884	40,213
France	49,600	43,640	51,193	33,744
Germany	63,864	78,998	85,876	1,040
Belgium	21,200	19,417	20,208	13,790
Italy	15,530	17,855	22,602	21,746
Japan	20,777	5,185	1,824	14,874
Other countries	13,260	12,415	12,566	18,791
Total	230,638	218,452	240,884	181,250

Compiled from South Africa Crops and Markets.